Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549-1004

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from   to   .

Commission file No. 1-14787

DELPHI CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**38-3430473**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)
5725 Delphi Drive, Troy, Michigan	**48098**
(Address of principal executive offices)	(Zip code)

(248) 813-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of September 30, 2005 there were 561,781,590 outstanding shares of the registrant's $0.01 par value common stock.

DELPHI CORPORATION
INDEX

		Page
	Part I — Financial Information	
Item 1.	Financial Statements (Unaudited)	
	Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2005 and 2004	3
	Consolidated Balance Sheets at September 30, 2005 and December 31, 2004	4
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2005 and 2004	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	47
Item 4.	Controls and Procedures	47
	Part II — Other Information	
Item 1.	Legal Proceedings	53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	53
Item 3.	Defaults Upon Senior Securities	53
Item 5.	Other Information	54
Item 6.	Exhibits	54
Signature		55

Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a)
Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a)
Certification Pursuant to 18 U.S.C. Section 1350

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
DELPHI CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(in millions, except per share amounts)			
Net sales:				
General Motors and affiliates	$ 2,954	$ 3,496	$ 9,760	$ 11,818
Other customers	3,329	3,146	10,408	9,771
Total net sales	6,283	6,642	20,168	21,589
Operating expenses:				
Cost of sales, excluding items listed below	6,221	6,074	19,327	19,315
Selling, general and administrative	424	383	1,230	1,171
Depreciation and amortization	331	293	912	858
Total operating expenses	6,976	6,750	21,469	21,344
Operating (loss) income	(693)	(108)	(1,301)	245
Interest expense	(103)	(58)	(224)	(175)
Other income (expense), net	17	8	44	(3)
(Loss) income before income taxes, minority interest, and equity income	(779)	(158)	(1,481)	67
Income tax (expense) benefit	(8)	33	(65)	(7)
Minority interest, net of tax	(11)	(10)	(27)	(36)
Equity income	10	16	44	63
Net (loss) income	$ (788)	$ (119)	$ (1,529)	$ 87
(Loss) earnings per share Basic and diluted	$ (1.40)	$ (0.21)	$ (2.73)	$ 0.16
Dividends declared per share	$ 0.000	$ 0.070	$ 0.045	$ 0.210

See notes to consolidated financial statements.

Table of Contents

DELPHI CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2005 (Unaudited)	December 31, 2004
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,652	$ 950
Restricted cash	13	14
Accounts receivable, net:		
General Motors and affiliates	2,367	2,182
Other	2,646	1,476
Retained interest in receivables, net	—	726
Inventories, net:		
Productive material, work-in-process and supplies	1,320	1,413
Finished goods	559	545
Deferred income taxes	35	39
Prepaid expenses and other	384	354
Total current assets	8,976	7,699
Long-term assets:		
Property, net	5,358	5,946
Deferred income taxes	107	130
Goodwill	751	798
Other intangible assets	59	80
Pension intangible assets	1,044	1,044
Other	915	896
Total assets	$ 17,210	$ 16,593
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable, current portion of long-term debt and debt in default	$ 5,301	$ 507
Accounts payable	3,212	3,504
Accrued liabilities	3,086	2,694
Total current liabilities	11,599	6,705
Long-term liabilities:		
Long-term debt	67	2,061
Junior subordinated notes due to Delphi Trust I and II	—	412
Pension benefits	2,910	3,523
Postretirement benefits other than pensions	6,767	6,297
Other	1,020	936
Total liabilities	22,363	19,934
Commitments and contingencies (Note 12)		
Minority interest	161	198
Stockholders' deficit:		
Common stock, $0.01 par value, 1,350 million shares authorized, 565 million shares issued in 2005 and 2004	6	6
Additional paid-in capital	2,669	2,661
Accumulated deficit	(5,467)	(3,913)
Minimum pension liability	(2,458)	(2,469)
Accumulated other comprehensive (loss) income, excluding minimum pension liability	(12)	237
Treasury stock, at cost (3.2 million and 3.8 million shares in 2005 and 2004, respectively)	(52)	(61)
Total stockholders' deficit	(5,314)	(3,539)
Total liabilities and stockholders' deficit	$ 17,210	$ 16,593

See notes to consolidated financial statements.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

We are a global supplier of vehicle electronics, transportation components, integrated systems and modules and other electronic technology. In addition, our technologies are present in communication, computer, consumer electronic, energy and medical applications. We operate in extremely competitive markets. Our customers select us based upon numerous factors, including technology, quality and price. Our efforts to generate new business do not immediately affect our financial results, because supplier selection in the auto industry is generally finalized several years prior to the start of production of the vehicle. As a result, business that we win in 2005 will generally not impact our financial results until 2007 or beyond.

Delphi reported an operating loss of $482 million for the year ended December 31, 2004. Included in the operating loss were charges totaling $502 million pre-tax, primarily related to the recoverability of certain of Delphi's U.S. legacy plant and employee cost structure. Delphi's financial condition deteriorated further in the first nine months of 2005, incurring an operating loss of $1.3 billion. Of the $1.3 billion operating loss, $608 million was incurred in the first two quarters with $693 million incurred in the third quarter. Comparatively, in the first nine months of 2004 Delphi reported operating income of $245 million. Of the $245 million of operating income, $353 million was reported in the first two quarters of 2004 with a loss of $108 million incurred in the third quarter.

Delphi believes that three significant issues have largely contributed to the deterioration of Delphi's financial performance: (a) a competitive U.S. vehicle production environment for domestic original equipment manufacturers ("OEMs") resulting in the reduced number of motor vehicles that GM, our largest customer, produces annually in the United States and related pricing pressures, (b) increasing commodity prices, and (c) increasingly U.S. legacy liabilities, wage and benefit levels, and operational restrictions driven by collectively bargained agreements, including restrictions preventing Delphi from exiting non-strategic, non-profitable operations, all of which have the effect of creating largely fixed labor costs that restrict the Company's ability to respond to increasingly challenging market conditions.

In light of the current economic climate in the U.S. automotive industry, Delphi is facing considerable challenges due to revenue decreases and related pricing pressures stemming from a substantial slowdown in GM's North American vehicle production. Although Delphi has shown steady growth of its non-GM business, these gains have been overtaken by the decrease of GM sales. As a percent of our net sales, our non-GM sales were approximately 45% for the nine months ended September 30, 2004. Comparatively, for the same nine-month period in 2005, our non-GM sales, including the impact of migration during the period of certain product programs from direct sales to GM to sales to Tier 1 customers, were approximately 52% of net sales. However, our GM sales for the first nine months of 2005 decreased by approximately $2.1 billion, or approximately a 17.4% year-over-year decline.

Increasing commodity prices have also had a material adverse impact on Delphi's financial performance. Delphi continues to work proactively with suppliers and customers to manage these cost pressures, including seeking alternative product designs and material specifications, combining Delphi's purchase requirements with customers and suppliers, and changing suppliers, but despite these efforts, raw material supply has continued to be constrained and commodity cost pressures have continued to intensify as Delphi's supply contracts expire during 2005. We expect to incur $0.4 billion of higher commodity and troubled supplier costs in 2005 than in 2004, of which $0.3 billion is due to higher commodity costs and $0.1 billion is due to higher troubled supplier costs. To the extent that Delphi experiences cost increases, it will seek to pass these cost increases on to its customers, but if it is not successful, its income in future periods will be further adversely affected. To date, due to previously established contractual terms, Delphi's success in passing commodity cost increases on to customers has been limited.

Delphi's ability to effectively respond to these increasing challenges is impaired by its U.S. legacy liabilities and largely fixed labor costs. Specifically, in connection with Delphi's U.S. legacy liabilities and